



PAKISTAN STOCK EXCHANGE LIMITED

PSX/N-5242

NOTICE

September 12, 2018

Reproduced hereunder letter received from **PAK LEATHER CRAFTS LIMITED**, for information of all TREC Holders of the Pakistan Stock Exchange.

(Copy of the same is also available on our Website www.psx.com.pk).



Pak Leather Crafts Limited

MANUFACTURERS & EXPORTERS OF LEATHER AND LEATHER GARMENTS

September 3, 2018

**Acting Chief Regulatory Officer
Pakistan Stock Exchange Limited**
Stock Exchange Building,
Stock Exchange Road,
Karachi.

Subject: Proposed Delisting of the Company

Dear Sir,

This is with reference to letter C-692-3805 dated 20th August 2018 from the Manager, Companies and Securities Compliance –RAD to discuss the matter with you personally along with the written explanation on the subject matter. A detailed written explanation is attached to this letter and brief of the case is as under:

Pak Leather Crafts Limited (the Company) has a long history of successful business and adherence of corporate law to its credit.

During the recent past years the Company is facing adverse business conditions particularly because of international crises in leather industry in general and particularly in Pakistan. This is a known fact and can be substantiated from the data of Pakistan Tanners Association. In Korangi Industrial Area only, during last 10 Years, 100s of tanneries are closed down because of low demand of the product and recurring losses. Our Company is still surviving because of its strong footings.

The Company is operational and the management is striving hard to come out of the hot waters. The Company has started regaining it position. Detailed figures are given in the annexure. Now it a matter of time to perfectly bring the Company on track. However it is very difficult to estimate its revival time to make sales forecast and financial estimate. Main reason is that the formal export contracts are yet to be negotiated . Presently, the exports are being done on order to order basis and therefore the periodical figures are very erratic as evident in the attached document showing quarterly sales having no regular and set pattern during last eight quarterly accounts. Once the repeat export orders are started coming in and/or export contracts are finalized, the Company will be in position to draw annual sales forecast and financial projections.

PSX being the forefront regulator is expected to provide assistance to companies like ours. In this regard we reproduce below extract from our letter dated July 10, 2018:

“You know very well that the listed companies when reach to defaulter segment are generally loss making sick companies facing cash liquidity crunch. PSX has two choices, (i) either apply its rules and regulations in a mechanical manner creating more hardship



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Pak Leather Crafts Limited

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to the loss suffering sponsors or (ii) apply the rules on case to case basis after considering the Company's request on genuine grounds. The second option is in line with the SECP's policy to provide ease of doing business to corporate sector. You will appreciate that in this manner the companies will grow resulting economic development in the Country, more tax contribution to national exchequer, more foreign exchange earnings, employment opportunities and also growth in the stock exchange/stock market.

SECP being the apex regulator has the policy to provide ease and assistance to the corporate sector. Now this policy draws further strength from the present government of the new era. The prime minister giving his broad policy announcement assured that his government will provide ease of doing business and economy in doing business to the businessmen.

Here it will not be out of place to mention that the Company is regularly and timely holding its AGMs, filing quarterly / annual accounts, Form A and doing all regulatory compliances.

In view of the forgoing; we expect that you will consider our case sympathetically. Under the given circumstances, we request to please keep the matter in abeyance for one year to help the Company to survive as by the time the management/sponsors will reach at a decisive stage as to whether rectify the default to restore trading of our share or to buy back the minority shares. You will appreciate that we are reluctant to get the company delisted because; who knows better than you, re-listing of a delisted company is almost impossible. We look forward to hear from you favorably.

Best Regards,

For: PAK LEATHER CRAFTS LIMITED


Umer Ahmed
Director



Copy to:

The Director (CSD) – SECP

The Additional Director (AD- SMD) – SECP

The DGM Operation- PSX

The DGM Companies Affairs- PSX

Manager, Companies and Securities Compliance –RAD



Pak Leather Crafts Limited

MANUFACTURERS & EXPORTERS OF LEATHER AND LEATHER GARMENTS

Date: 30/08/2018

For Pakistan Stock Exchange

Subject: Proposed Delisting

Performance Report of Pak Leather Crafts Limited on June 30th 2018

Company's origin & past performance:

Pak Leather Crafts Limited commenced its business as a small leather garment manufacturing business in 1971 in P.E.C.H.S Karachi. From humble beginnings the company went on to become the highest exporters in 1993 with three different tannery units and 2 garment units fetching net sales of 700 million rupees yearly. The Company led the way in innovation of leather development, research, modern machinery imports, and skilled labor. The Company also introduced the idea and implementation of affluent treatment plant for harmful water disposal released from adjoining tanneries and under the supervision of Pakistan Tanners Association.

The Company was publicly listed in 1986 and business was at peak for two decades. Following an international crisis in leather industry and worldwide recession leather industries around the world suffered. The perception of Pakistan goods dropped significantly after Chinese, Indian, Vietnamese, Cambodian and Thailand tanneries entered business and forced local industries to cut costs. This led to an inevitable downsizing of The Company.

History of business setback:

Quality of locally available raw leather has dropped significantly in past 10 years due to general incompetencies and lack of development in leather technology. This has forced local markets to rely on imports of chemicals from Italy, France, Germany and import of skins from New Zealand, Saudi Arabia, Kuwait, Somalia, and England. Due to this significant change, local markets are forced to purchase expensive materials at prices negotiable only in

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US Dollar, UK Sterling Pound, and Euros. As we are aware of uncertainty in foreign exchange rates of local PKR v foreign currencies, local businesses suffer drastically

whenever there is depreciation in our currency. It should also be pointed out that the leather industry in Pakistan has witnessed a major downfall overall. Stocks have lost their values in an unprecedented way. Leather has no value to local buyer as the weather conditions are not suitable for leatherwear. 17% decline in export of leather was recorded in FY2017 – FY2018 alone as reported by Business Recorder.

(<https://www.brecorder.com/2018/07/27/430693/leather-exports-fy18/>)

The Company also faced legal and financial troubles starting in 2007. The Company is fighting lawsuits in Sindh High Court for failure to pay interest and principal amount of loans taken by The Company to finance daily procurement of materials to meet international demand. These cases filed against The Company are reported in the financial statements of The Company. A winding up petition was filed against The Company which The Sindh High Court rejected based on The Company's fluent performance.

The Company also faced internal downfall due to leak of secret information. As mentioned, due to downsizing many staff members joined other tanneries and leaked our business information in to the market. This has led The Company to rely on local sales as well. Local sales are not profitable but are required to meet daily expenses.

Company's Revival:

In 2015, the company started to revive its international presence again. Old customers which were neglected due to financial and legal troubles were once again contacted to renew business. Luckily, some customers were interested and trusted the management to give results.

In February 2016 The Company received its first export purchase order in nearly 2 years. Following which an improvement in export performance was witnessed. Please see attached performance report.

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Quarter-Wise Performance Report
From September 2016 to March 2018

Quarter Ended	Export Sales	Local Sales & Job Work	Total Revenue	Loss After Taxation
	<u>Rs.000</u>	<u>Rs.000</u>	<u>Rs.000</u>	<u>Rs.000</u>
Sep.2016	4,636	5,689	10,325	(791)
Dec.2016	6,168	7,375	13,543	(1,114)
Mar.2017	6,342	3,493	9,835	(3,922)
June.2017	9,340	2,242	11,582	584
Sep.2017	3,280	2,862	6,142	(3,373)
Dec.2017	7,688	3,371	11,059	(1,607)
Mar.2018	15,017	3,214	18,231	(2,202)
Total 7 Quarters	65,368	32,393	97,761	(14,831)

The management noticed that only one sector within the leather industry of Pakistan was performing and growing, namely glove manufacturing. Therefore, full efforts were made to develop products in gloving range

The directors have made international marketing effort. In January 2017 directors made a visit to Korea followed by a visit to Indonesia regarding development in business relationship with clients. In April 2018, visits were made to Thailand, China, and Taiwan. All trips were funded by directors own funds. These trips have reassured customers of our reliability.

The Company expects improvements due to following points:

1. The directors of The Company have injected nearly 20 million rupees in general maintenance and revival of business operations. This includes repair and maintenance of

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machineries, repair to leasehold land, replacement of machinery parts and replacement of financial advisors, auditors of the company. All compliances are being made timely with best efforts.

2. The Company has a strong directorship.

1. Muhammad Saleem Ahmed: In industry since for 45 plus years. Mr. Saleem is well aware of current affairs of The Company, economic conditions locally and internationally. Mr. Saleem is also the chairman of Pakistan Leather Garments Manufacturers and Exporters. Pakistan Tanners Association matters are also advised through Mr. Saleem Ahmed.

2. Umer Ahmed: Mr. Umer Ahmed has a financial reporting background and has worked with Banc of California as a Fixed Asset Manager. He also hold a degree in Accounting and Finance in from University of California.

3. Azeem Ahmed: Has background in leather technology from University of Northampton UK (2012). He has served the company for 6 years actively.

4. Bilal Ahmed: has a marketing background and is helping revive export sales as evident from performance report.

Other directors are well versed with the company affairs as well.

3. Company has filed all statutory documents of SECP, FBR timely and has no discrepant history. All matters are being taken care of with due diligence. Recently, two show cause notices have resolved served to The Company by FBR by making compliance. Similarly, any non-compliance regarding SECP was also corrected. Since 2015, no further non-compliance has been incurred.

4. Local suppliers of raw materials and international markets are beginning to trust our business and products again.

5. Recently appointed auditors IECnet SKSS, a QCR rated auditor approved by SECP has also agreed with management that The Company is a going concern, contrary to their adverse opinion given in June 30th, 2017 auditors report.

6. Part time advisor and Chartered Accountant retired from Pakistan Services Limited for corporate governance, and cost accountant certified by ICMA Pakistan retired from GlaxoSmithKline are on board weekly to advise us of compliance required. Management makes full effort to make compliance and makes decisions accordingly.

Due to above mentioned points; the management is of the view that in coming 5 years sales will increase at similar rate. In the meantime, cost cutting measures without compromise to product and delivery are considered daily in unofficial board meetings held at our office to discuss production, orders in hand, future plans and marketing agendas.

Decision Making:

Now, The Company has to decide whether it to stay public or go private. The management wishes to stay public at this time to avoid costs of buying back shares and legal costs. Also, it is also very difficult to go public once The Company has decided to go private or if it decides to list publicly again.

One of the major concerns of PSX is timely payment of annual fees of PSX. The management would like to reassure that The Company would like to repay outstanding dues

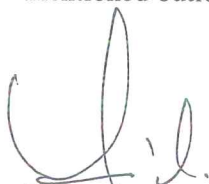
And request leniency in this matter. The Company is fully operational and unfortunately going through a tough revival. The Company is hopeful of the best results.

All other statutory matters are in control and well taken care of. Now, for a simple annual fee of PSX, it seems unfair to delist a rather prestigious Company which has yielded billions in foreign reserve and tax payments to State Treasury. The company also loaned \$100,000^{/-} to the Government of Pakistan under the program "Karz Uttaro, Mulk Sunwaro".



We, the management request PSX to reconsider its opinion and allow Company some time while it is still recovering from recent turmoil. The management would like to reassure that The Company is being run with professionalism.

Please do not hesitate to request further clarification or documentation to reaffirm above mentioned outlook, current affairs and past of The Company.



Umer Ahmed

Director

Pak Leather Crafts Limited